



THE CITY OF SAN DIEGO
MANAGER'S REPORT

DATE ISSUED: January 19, 2005 REPORT NO. 05-006

ATTENTION: Honorable Mayor and City Council
Docket of January 24, 2005

SUBJECT: Facility Franchise Agreement with San Diego Landfill Systems, Inc.;
Amendment No.1

REFERENCE: City of San Diego Ordinance No. 00-18668; Facility Franchise Agreement
between THE CITY OF SAN DIEGO and SAN DIEGO LANDFILL
SYSTEMS, INC.

SUMMARY

Issue - Should the City Council approve Amendment No. 1 to the Facility Franchise Agreement with San Diego Landfill Systems, Inc. to extend the existing Agreement's provisions dealing with disposal of Biosolids for an additional five (5) years that include the institution of a disposal program that guarantees 100% beneficial use of Biosolids?

Manager's Recommendation - Authorize the City Manager to execute Amendment No. 1

Other Recommendations - None

Fiscal Impact - 100% Beneficial Use of Biosolids:
120,000 Tons of Biosolids at \$37.11/ton = \$4,453,200 for the first twelve months of the Agreement. FY2005 amount of \$1,585,339 is for the 130 days from the commencement of the Amendment on February 22, 2005 through June 30, 2005. Funds for this purpose are budgeted in the FY2005 MWWD budget and will be included in future MWWD budget requests brought before Council as part of the City budget process.

Environmental Impact - This activity is not a "project" and is therefore exempt from CEQA pursuant to the State Guidelines Section 15060(c)(3).

BACKGROUND

On June 18, 1999, the City of San Diego (City) and San Diego Landfill Systems, Inc. (SDLS) entered into a Facility Franchise Agreement, City Ordinance No. 00-18668, on file in the Office

of the City Clerk. Section 4 of the Agreement provided for a five-year period for SDLS to collect, transport, and dispose of Biosolids generated at the Metropolitan Biosolids Center (MBC). The five-year period terminates on February 21, 2005.

DISCUSSION

The City and SDLS have negotiated an extension to the Agreement for an additional five-year term that provides for 100% beneficial use of Biosolids. Currently, SDLS is beneficially using approximately 90% of the Biosolids, but this is purely on a voluntary basis with no contractual obligation on the part of SDLS. A comparison of the costs for similar services provided to other municipalities ranges from \$38 per ton to \$55 per ton. The cost to the City for 100% beneficial use will be \$37.11 per ton to be escalated annually based upon the Consumer Price Indices all Urban Consumers, Los Angeles/Riverside/Orange County, as published by the United States Department of Labor Statistics in the publication Consumer Price Index, Table 3.

SDLS will currently use land application and alternate daily cover as its approved methods of beneficial use of Biosolids. If, in the future, alternative methods of disposal are identified, prior approval by the City shall be required before such methods or sites can be utilized. The City has reserved the right to pursue alternative disposal methods if such efforts afford the City additional cost effective benefits in the disposal and beneficial use of Biosolids. The Amendment will terminate on March 1, 2010, unless a mutually agreed upon extension is exercised and approved by the City.

CONCLUSION

Authorization to execute Amendment No. 1 secures competitive pricing for the disposal of the City's Biosolids for an additional five years, while affording the City 100% beneficial use of Biosolids that will assist the City in achieving compliance with the requirements of the California Integrated Waste Management Act of 1989 (Public Resource Code 40050-40063) that calls for a reduction, recycle, and reuse of solid waste generated in the state by 50%.

ALTERNATIVE RECOMMENDATIONS

1. Do not approve Amendment No. 1 which would extend Section 4 of the Facility Franchise Agreement for an additional 5-year period and provide 100% beneficial use of Biosolids.
2. Direct City staff to recompet the program and to issue a Request for Proposals.

Respectfully submitted,

Scott Tulloch
Metropolitan Wastewater Department Director

Approved: Richard Mendes
Deputy City Manager

MENDES/TULLOCH/HANLEY/JCD